

**BOARD OF DIRECTORS
METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT
PIMA COUNTY, ARIZONA**

September 12, 2011

**** Board Room ****

**Metropolitan Domestic Water Improvement District
6265 N. La Cañada Drive
Tucson, AZ 85704**

MINUTES

Board Members Present: Bryan Foulk, Chair
Dan M. Offret, Vice-Chair
Jim Doyle, Member
Helen Ireland, Member
Judy Scrivener, Member

District Staff: Mark R. Stratton, General Manager
Christopher W. Hill, Deputy General Manager
Michael Land, Chief Financial Officer
Charlie Maish, District Engineer
Tullie Noltin, Recorder
Keri Silvyn, Legal Counsel
Warren Tenney, Clerk of the Board

Executive Session

I. Call to Order and Roll Call

Bryan Foulk, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 5:30 p.m. Bryan Foulk, Helen Ireland, Dan M. Offret, and Judy Scrivener were present. Jim Doyle arrived at 5:44 p.m.

Mr. Offret made a motion to adjourn into Executive Session at 5:31 p.m. Ms. Scrivener seconded the motion. Motion passed unanimously.

Executive Session pursuant A.R.S. § 38-431.03.A.3 (consultation for legal advice with District Legal Counsel), A.R.S. § 38-431.03.A.4 (consultation regarding contracts that are the subject of negotiation, in pending or contemplated litigation or in settlement discussions), regarding the following:

A. Mediation related to Failures at Northeast Booster Station.

Regular Session

I. Call to Order and Roll Call

Bryan Foulk, Chair of the Board of Directors of the Metropolitan Domestic Water Improvement District (District), called the Board Meeting to order at 6:03 p.m. Bryan Foulk, Dan M. Offret, Jim Doyle, Helen Ireland, and Judy Scrivener were present.

II. General Comments from the Public

There were no comments from the public.

III. Consent Agenda

- A. Approval of Minutes – August 8, 2011 Board Meeting.**
- B. Ratification of Billing Adjustments.**
- C. Ratification of Bill of Sale – Mountain Vista Fire Station #2.**

Mr. Offret made a motion to approve the Consent Agenda. Ms. Scrivener seconded the motion. Motion passed unanimously.

IV. General Business - Items for Discussion and Possible Action

A. Monthly Status of the District.

Mr. Stratton said usage in August was less than the same period last year, except in Metro Southwest. The CAP recharge at AVRVP looks fairly good. The Basin 4 modification results are not available yet but should be by the October meeting. Hydrology has been looking at effluent options. The Old Magee Trail Well development was completed over the holiday weekend. The rig is ready to move offsite and after aquifer testing should be finished in a couple of weeks. The engineer has submitted 60% design plans on the well, so we hope to have it constructed relatively soon. The only construction under way is Magee Phase I and Innova intends to complete the majority of work by the end of October. Projects in various bid stages will appear on the October and November Board agendas. Mr. Offret asked about the recent County issue over abandoning lines. Mr. Stratton said a resolution had been reached with the County. Mr. Stratton said a fair amount of abandoned lines will be left in place. Most of the lines in contention are short reaches. Removing certain lines poses problems for other utilities and can be difficult or expensive to remove. Well improvements at Fruchthendler, Riverside, and Old Magee Trail are being performed by the same company so that should help expedite things.

B. Financial Report.

Mr. Land said that one month into the fiscal year, revenues are \$295,000 over budget and expenditures are \$21,000 over. Water sales thus far have been positive. There have been five new water permits this month but the District is still two behind for the two month total. There have been no new connections at Metro Southwest for about 16 months.

Mr. Land said normally this time of year the Board would be discussing a proposed rate increase but this year no rate increase has been recommended by staff. Staff has prepared a 5 year financial scenario for the Board. He went over the figures for each scenario as the Board followed along. Scenarios 1 or 2 are favored by staff. Mr. Stratton said the previous Board's intent was to maintain a reasonable pace of rate increases and avoid rate shock. Rate increases in the 3-4% range still meet the needs of the District without a significant impact. Staff is comfortable moving forward this year with no increase, with preliminary plans to recommend a modest 3-4% increase next year. As the year goes on, the Finance Oversight Committee will review the concept and staff will have precise budget figures to work with next year.

C. Resolution 2011-3 – Establishment of Policy for the Contingency Fund, Year-End Balance, and Capital Assets Reserve Account for the Annual Fiscal Budget.

Mr. Offret made a motion to adopt and approve Resolution 2011-3 to establish a policy for the Contingency Fund, Year-End Balance Fund, and Capital Assets Reserve Account. Ms. Scrivener seconded the motion.

Mr. Offret expressed his support for the Resolution but asked for clarification on the order of funding. Mr. Stratton said the Contingency Fund and Year-End Balance will be part of the budget process. It will be important to maintain the Contingency Fund for unforeseen events. At the end of the year, staff can make the appropriate adjustment to the Capital Assets Reserve Account based on the Year-End Balance. He said if something happens and the Contingency is used, the Year-End Balance will be lower than expected and the Capital Assets Reserve Account will not get funded. The Year-End Balance will be targeted to match one month of operating expenses. The Board will retain the flexibility to decide how much to keep in the Contingency Fund. Mr. Tenney said the Resolution states the Contingency amount is to be decided annually by the Board during the budget process. The Year-End Fund Balance is a guideline to help determine how much surplus to transfer to the Capital Assets Reserve Account at the mid-year budget review.

Motion passed unanimously.

D. Direction for Conducting Compensation & Benefits Survey.

Mr. Stratton said staff has provided a report of estimated costs associated with a compensation survey performed by an outside firm, as requested. He reiterated that with all the information being accessible through the internet and public agencies, the Human Resources Specialist is more than capable of conducting such a survey in-house.

Mr. Offret expressed concern about matching titles to job descriptions. Mr. Offret said he was still in favor of having an outside expert perform the study. He felt the cost of an outside study would be small in comparison with the amount of money the District spends to deliver pure water. He felt the employees deserve the same level of professionalism as the ratepayers.

Billie Sue Morelli, Human Resource Specialist, said that in the past she had been able to break each job description down and had not relied on titles to analyze compensation.

Mr. Offret made a motion that up to \$35,000 be allocated to an outside study on compensation. Ms. Scrivener seconded the motion.

Mr. Foulk asked about turnover, specifically employees moving from one water provider to another. Ms. Morelli said there is currently not a lot of movement among public entities. She noted that Tucson Water is currently offering a lower hiring rate for meter readers. Mr. Foulk asked if she received any staff complaints after the last compensation survey she performed. Ms. Morelli said there had been one staff member who voiced concern about the results of the survey and their pay was later adjusted. Since the data is easy to find, staff can get an idea how their pay compares with others in their field. Mr. Foulk said he was not sure this was good timing, economically. If the economy rebounds he would be willing to reconsider but he questioned the need with such a stressed economy.

Motion failed 2-2. Mr. Doyle and Mr. Offret voted for; Mr. Foulk and Ms. Scrivener voted against; Ms. Ireland abstained.

Ms. Scrivener said she agreed with Mr. Foulk. She thinks it is a very worthwhile project but should not be done right now.

Mr. Offret made a motion to take staff's recommendation and utilize the \$10,000 that has already allocated and apply it as an addition to December's supplemental pay of \$600 per employee. Ms. Scrivener seconded the motion. Motion passed unanimously.

Mr. Land noted this would mean an additional \$200 per employee, approximately. Mr. Tenney said he wanted to clarify that the Board intends for this \$10,000 to be added to the second half of

the supplemental pay that was previously scheduled to be brought back to the Board in December. The Board expressed their agreement.

E. Approval of Membership in the Water Conservation Alliance of Southern Arizona.

Ms. Ireland made a motion to approve the District's annual membership of \$4,000 in the Water Conservation Alliance of Southern Arizona. Ms. Scrivener seconded the motion. Motion passed unanimously.

Mr. Tenney said Val Little apologized for not being able to attend the meeting and extended an invitation to all Board Members to attend the workshop on October 15th.

F. Renewal of Interim Remedial Action Contract with the Arizona Department of Environmental Quality for the South Shannon Treatment System.

Mr. Offret made a motion to approve Amendment No. 20 of the Interim Remedial Action Contract at the South Shannon Facility between the Arizona Department of Environmental Quality and the Metropolitan Domestic Water Improvement District to receive up to \$150,000 in operations and maintenance expenses from July 1, 2011 through June 30, 2012. Ms. Scrivener seconded the motion. Motion passed unanimously.

G. Award of Professional Services Agreement with Arcadis for an Optimization Study Associated with the South Shannon Aeration Treatment System.

Ms. Ireland made a motion to approve the professional services agreement with Arcadis for the Optimization Study associated with the South Shannon Aeration Treatment System for a not-to-exceed amount of \$37,000. Ms. Scrivener seconded the motion.

Mr. Offret asked how blending relates to the aeration process. Mr. Hill said the treatment is the most critical and blending can reduce constituents but it cannot remove them. Blending for other constituents like Nitrate or Arsenic is appropriate but when it comes to Volatile Organic Compounds (VOCs), if the facility to remove them exists, it is preferred. Mr. Stratton added that limits for VOCs are expected to come down and the District will be prepared to comply with the regulations. The aeration system is used as the preliminary treatment process before the water goes to the GAC, prolonging the life of the GAC and saving money on change-outs.

Mr. Doyle asked which VOCs are currently being removed. Mr. Hill explained the District removes TCE, PCE and some unregulated detected constituents. Mr. Doyle asked why unregulated constituents are removed, and Mr. Hill said the District gets rid of as many as possible.

Motion passed unanimously.

H. Award of the Construction Contract for the La Cañada Dr., Ina Road to River Road to River Road, Waterline Relocations and La Cañada “A” Zone Transmission Main, Phase I.

Mr. Offret made a motion to award the construction contract for the La Canada Dr., Ina Road to River Road, Waterline Relocations and La Canada “A” Zone Transmission Main, Phase 1 project to Action Pipeline Contractors, Inc. in the amount of \$2,774,730.00, and to authorize the General Manager to approve the following changes to the construction contract; 1) allocate additional funding a cumulative amount not to exceed \$100,000 and 2) increase the original construction contract term a cumulative amount not to exceed sixty (60) calendar days. Any changes in excess of the above limits will be submitted to the Board of Directors for approval. Ms. Scrivener seconded the motion.

Mr. Offret asked for clarification on the funding of the transmission main. Mr. Stratton said the Board had previously authorized the transmission main as a capital project, which will connect with the Riverside Crossing Well. The remainder of the project related to waterline relocations will be funded through the RTA Fee funds.

Motion passed unanimously.

I. Approval of Groundwater Savings Program Agreement.

Ms. Scrivener made a motion to approve the Amendment between the District and Cortaro Water Users’ Association for “In-Lieu Water Deliveries and Storage” subject to approval by Cortaro Marana Irrigation District’s Board. Ms. Ireland seconded the motion. Motion passed unanimously.

J. District Power Consumption and Interruptible Facilities.

Mr. Hill said he provided additional detail in his report to give the Board a better idea of the District’s history. He expressed his appreciation for TEP interruptible rates and talked about how it benefits the District. He would like to keep implementing interruptible rates at more facilities as opportunities arise. The District spends over a million dollars a year on power but he looks at every opportunity to save power while creating necessary redundancy in the system.

Mr. Offret asked if Tucson Water is on interruptible power, specifically as it relates to the pending wheeling agreement. Mr. Stratton said that once the water is pumped from their well field to their Clear Well reservoir, it is carried by gravity to our area. Mr. Stratton wants to

analyze the financial side with staff to ensure the District will be saving money and gain more reliability before the wheeling agreement is decided on.

The Board approved an agreement with Tucson Electric Power to have the Northeast Reservoir Booster Station to be under its interruptible power rate. It was realized after the meeting that a formal motion had not been made. This item will be ratified at the October 12, 2011 meeting.

K. Selection of vendor for Automated Meter Reading System for Metro Southwest.

Mr. Hill said that Steve Shepard, Assistant Utility Superintendent, had done an outstanding job on this project. AMR is seen as the future of meter reading and it makes sense for the District to do this in Metro Southwest, being the furthest away. He is excited about the long-term possibilities of integrating AMR with web-based customer service tools someday.

Ms. Ireland made a motion to direct staff to pursue an agreement with National Meter & Automation (Itron System) for the Metro Southwest Hybrid Automated Meter Reading System with the use of the Sensus I-Pearl meter. It is further recommended that if a successful agreement cannot be reached with national meter & Automation then staff is directed to pursue an agreement with Dana Kepner (Sensus System). The final agreement will be brought back to the Board for approval. Mr. Offret seconded the motion.

Mr. Foulk asked if there would be any proprietary issues with the existing equipment and Mr. Hill said Itron has the versatility to read another type of meter. Mr. Offret said he was very impressed with the membership on the committee. He congratulated them on taking the steps to get to the lowest price and the best value for the District.

Motion passed unanimously.

L. Fleet Program Proposal with Enterprise Fleet Management.

Mr. Hill noted the District was approached by Enterprise Fleet Management. An opportunity to save money was presented and there were more benefits than liabilities.

Mr. Offret made a motion to authorize District staff to utilize Enterprise Fleet Management for its vehicle replacement program. Ms. Ireland seconded the motion.

Mr. Offret said he was curious about District fleet modification costs and wondered whether owning is the most affordable way to go. Mr. Hill said that one thing he liked about Enterprise's proposal was the supportiveness they offer. He believes this will be a valuable partnership.

Motion passed 4-0. Mr. Foulk abstained.

M. Update on Obsolete Facilities.

Mr. Hill said staff was still waiting on the third quote from Gilbert Pump. He wanted to provide as much information on the obsolete facilities as possible to the Board. Mr. Offret asked what would happen to the land after sites are decommissioned. Mr. Maish said a few of the sites are built on easements under agreements with property owners. Some sites, such as Blackwell, are to be partially decommissioned; the reservoir is no longer needed but the pump facility will stay. Mr. Doyle asked if environmental issues or disposal fees could impact costs. Mr. Hill said once an agreement with a contractor is secured that will be clearer.

V. General Manager's Report

Mr. Stratton said the items on the agenda have kept him busy. On the 26th of September he will attend a public meeting on the RWATF Think Tank Report. Early October he will attend the NWRRA Annual Conference in Kentucky. He will attend the WESTCAS Conference at the end of October. Board Members will be notified when the December CRWUA Conference is announced, so reservations can be made early.

VI. Legal Counsel's Report

Ms. Silvyn said she had nothing further to report.

VII. Future Meeting Dates; Future Agenda Items.

Mr. Tenney said the next regularly scheduled session of the Board of Directors will be held on October 12, 2011, a Wednesday, due to the Columbus Day holiday.

VIII. General Comments from the Public.

There were no comments from the public.

IX. Adjournment.

The meeting adjourned at 7:02 p.m.

Bryan Foulk, Chair of the Board

Warren Tenney, Clerk of the Board